

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 L-03 AID-05

IGA-01 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01

CIAE-00 INR-07 NSAE-00 INRE-00 SSO-00 NSCE-00 /066 W

----- 096141

O R 081320Z JUN 75

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC IMMEDIATE 4800

INFO SECDEF WASHDC

USCINCEUR

AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 1 OF 2 AMMAN 3816

DEPARTMENT PASS TREASURY

E.O. 11652: GDS

TAGS: MASS, JO, SA

SUBJECT: SAUDI FINANCED FMS CREDIT FOR JORDAN

REFS: (A) STATE 120321 (B) JIDDA 2855 (C) JIDDA 4381 (D) AMMAN 2859

(E) SECDEF (2114) 061415Z JUN 75 (NOTAL

(F) SECDEF (2535) 062145Z JUN 75 (NOTAL)

(G) AMMAN 3770 (NOTAL)

1. WITH JUNE 30 DEADLINE APPROACHING WE BELIEVE IT NOW URGENT TO FINALIZE ARRANGEMENTS FOR SAUDI FINANCED FMS CREDIT FOR JORDAN ALONG LINES OF DEPARTMENT'S INSTRUCTIONS (REF A), AS MODIFIED BY AMEMBASSY JIDDA SUGGESTIONS (REF B AND C): (1) THAT ONUS OF BILL COLLECTING FALL ON GOJ AND (2) THAT LANGUAGE OF PROMISSORY NOTE (PARA 2B, REF A) BE SIMPLIFIED, PERHAPS BY DROPPING ALL AFTER THE WORDS "FULL FAITH AND CREDIT" BUT PRESERVING PHRASE "AND HEREBY CONSENTS ETC."

2. THE FOLLOWING OUTLINES OUR SUGGESTION REGARDING  
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NECESSARY STEPS FOR FINALIZING ARRANGEMENTS AND AS

KEYED TO PROCEDURES PROPOSED IN PARA 1, A THROUGH C (REF A). (WE ASSUME THAT SINCE CREDITS ARE BEING ADVANCED BY FEDERAL FINANCING BOARD (FFB) THEY CAN BE TREATED AS US DIRECT CREDITS FOR PROCEDURAL PURPOSES.):

A. DURING PAST YEAR WE HAVE COMPLETED STEP IN PARA 1A (REF A), I.E. TO ENCOURAGE GOJ TO SEEK SAG AGREEMENT TO BECOME CO-OBLIGOR UNDER \$30 MILLION CREDIT AGREEMENT WITH USG. SAUDIS HAVE ALREADY AGREED TO FINANCING FMS CREDIT FOR JORDAN (REF D, PARA 2A), ALTHOUGH THEY ARE PROBABLY NOT YET AWARE OF ALL OF THE PRECISE MODALITIES.

B. THEREFORE GOING THROUGH EXCHANGE OF NOTES (PROPOSED PARA 1B REFTEL A) WITH GOJ ON THIS QUESTION IS NO LONGER NECESSARY AND WILL ONLY WASTE VALUABLE TIME IN VIEW OF JUNE 30 DEADLINE. (IF DEPARTMENT NEVERTHELESS WISHES EXCHANGE OF NOTES PLEASE SEND US LANGUAGE ASAP).

C. WE SUGGEST THAT WE INSTEAD PROCEED DIRECTLY TO FINAL STEP AS OUTLINED (PARA 1C REFTEL A) WHEREBY "USG WOULD ENTER INTO CREDIT AGREEMENT WITH GOJ AND SAG."

WE THEREFORE REQUEST DEPARTMENT IN CONCERT WITH DOD AND TREASURY DRAW UP FMS CREDIT AGREEMENT ALONG LINES PROPOSED PARA 1C AND 2 (REF A), WITH SIMPLIFICATION OF LANGUAGE IN PROMISSORY NOTE AS SUGGESTED BY ABOVE PARA 1 AND JIDDA (REF C). IT APPEARS FROM REF D AND E THIS PROCESS IS ALREADY WELL ADVANCED AND MAY HAVE TO BE MODIFIED (REF G).

3. WE HAVE NOT DISCUSSED MODALITIES AND VENUE OF SIGNING FMS CREDIT AGREEMENT WITH GOJ NOR HAS GOJ DISCUSSED IT WITH SAG, BUT WE HOPE OUR PROCEDURES CAN ACCOMMODATE TO THEIR DESIRES AND ALSO BE A RELATIVELY SIMPLE OPERATION. WE BELIEVE ALSO THERE IS MERIT TO HAVING JORDANIAN AMBASSADOR SIGNING AGREEMENT ON BEHALF GOJ IN WASHINGTON (AS PROPOSED REF E) AND THEN HAVING GOJ ARRANGE DIRECTLY WITH SAG FOR CONCURRENT OR SUBSEQUENT SAG SIGNATURE AS DEPARTMENT PREFERS (PRESUMABLY ALSO IN WASHINGTON), PROVIDED THAT USG REPRESENTATIVE (AMERICAN AMBASSADOR AND/OR STATE REP  
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PLUS TREASURY AND DOD REPS IF DESIRED) BE PRESENT AT SIGNING (AS IS APPROPRIATE ACCORDING TO WHETHER SIGNATURE IS IN AMMAN, JIDDA OR WASHINGTON). THIS PROCEDURE WILL HAVE THE ADVANTAGE OF GETTING GOJ IN HABIT FROM START OF HANDLING MAJOR BURDEN OF CONTACT WITH SAG ON THIS MATTER, AS DESIRED BY EMBASSY JIDDA. WE WOULD HOWEVER REQUEST THAT EMBASSY JIDDA INFORM SAG (IF DEPARTMENT APPROVES) OF THE DETAILS OF THIS APPROACH

AND OF URGENCY (IF THIS IS IN FACT THE CASE) OF CON-  
CLUDING AGREEMENT BEFORE JUNE 30. WE ARE GOING TO  
DISCUSS ON JUNE 8 THIS APPROACH WITHOUT COMMITMENT WITH  
JORDAN CHIEF OF STAFF BEN SHAKER, WHO WILL BE VISITING  
SAUDI ARABIA SHORTLY IN CONNECTION WITH SAUDI FUNDING  
FOR JORDANIAN DEFENSE.

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C O N F I D E N T I A L SECTION 2 OF 2 AMMAN 3816

DEPARTMENT PASS TREASURY

4. AS TO FMS CREDIT INSTRUMENT ITSELF, WE SUGGET IT  
CONTAIN, INTER ALIA,

A. PROVISIONS OUTLINED PARA 1C AND 2 (REFTEL A):

B. A SINGLE REPAYMENT SCHEDULE (PARA 2 REF E  
SUGGESTS THIS IS POSSIBLE) TO INCLUDE DUE DATES  
AND ILLUSTRATIVE AMOUNTS PAYABLE TO USG DEPENDING  
UPON FINAL DETERMINATION OF INTEREST RATE;

C. AN ANNEX LISTING THE GENERAL CATEGORIES  
OF MILITARY EQUIPMENT AND SERVICES THAT WILL BE  
COVERED BY THE FMS CREDIT. LIST SHOULD BE  
SPECIFIC ENOUGH TO GIVE SAG GENERAL IDEA OF WHAT  
TYPES OF EQUIPMENT IS FINANCING. AT SAME

TIME, LIST SHOULD BE GENERAL ENOUGH TO ALLOW FOR VARIATIONS IN FINAL COST OF ITEMS WITH OBJECT OF AVERTING NEED TO MODIFY BASIC FMS CREDIT AGREEMENT. (PARA 1, REF B APPEARS SUFFICIENT TO COVER THIS; GOJ HAS ALREADY GIVEN SAG LIST ALSO).

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D. AN UNDERSTANDING IN WHICH GOJ AND SAG WOULD AGREE THAT ARRANGEMENTS FOR FORWARDING REPAYMENT CHECKS TO USG WOULD BE WORKED OUT BETWEEN GOJ AND SAG AND THAT THEY WOULD SO INFORM USG OF THEIR AGREEMENT. (WE WOULD FOR SAKE OF CONVENIENCE HOPE THAT METHOD WOULD PERHAPS BE RELATED TO METHOD OF FORWARDING PAYMENT BY SAG UNDER FMS CASH ARRANGEMENTS ANTICIPATED IN CONNECTION WITH SAUDI FUNDING OF JORDANIAN AIR DEFENSE WHICH WE NOW ANTICIPATE WILL BE FROM SAG TO GOJ TO US, POSSIBLY INITIATED BY US PRESENTATION OF BILLS OR PAYMENTS SCHEDULES TO GOJ IN CONNECTION WITH GOJ SIGNED LOA'S.)

5. ACTION REQUESTED: WE WISH TO STRESS NECESSITY OF EXPEDITING FUNALIZATION OF FMS CREDIT AGREEMENT. NOW THAT FY 1975 FMS CREDIT IS AUTHORIZED, EVERYONE HERE INCLUDING KING HUSSEIN WILL BE ANXIOUS TO START PROCUREMENT OF URGENTLY NEEDED MILITARY ITEMS COVERED BY SAUDI-FINANCED FMS CREDIT. WE THEREFORE EARNESTLY REQUEST THAT DEPARTMENT, DOD AND TREASURY MOVE SWIFTLY TO ENSURE FMS AGREEMENT TAKES INTO ACCOUNT PROBLEMS AND PROPOSALS ABOVE.

6. IN MEANTIME, AS AUTHORIZED PARA 3 REF A, WE WILL BE DISCUSSING ARRANGEMENTS WITH GOJ HERE AND REQUEST THAT EMBASSY JIDDA DO LIKEWISE WITH SAG.  
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## Message Attributes

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**Disposition Approved on Date:**  
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**TAGS:** MASS, JO, SA  
**To:** STATE  
**Type:** TE  
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